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Held at Headquarters, New York, on Thursday, 29 March 2001, at 10 a.m.

Chairman: Mr. Chandra (Vice-Chairman) ..... (India)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Mr. Rosenthal (Guatemala), Mr. Chandra (India), Vice-Chairman, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 123: Human resources management (*continued*)

Statement by the Under-Secretary-General for Management on behalf of the Secretary-General

1. **Mr. Connor** (Under-Secretary-General for Management) read out a letter from the Secretary-General addressed to the Chairman of the Fifth Committee, in which the Secretary-General said that he had been following with great interest the Committee's work on human resources management and in particular on his proposals for human resources management reform, to which he attached the highest importance. Since he was currently away from Headquarters, he had asked the Under-Secretary-General for Management to convey his views to the Committee.

2. At the heart of the reform was the need for a simple and efficient recruitment and placement process that would allow the United Nations to obtain and retain staff of the highest quality, who were versatile, multi-skilled and able to meet the urgent requirements of the Organization on a global level. In order to achieve that, his reform proposal contained two key elements. The first was a new recruitment, placement and promotion system, where programme managers made decisions to select staff and were accountable for their decisions. The new central review bodies would ensure compliance with the process. He had also put in place monitoring and accountability mechanisms for the attainment of organizational mandates such as geography and gender, and for the observance of regulations and rules. The second element was to initiate the transition to a system of managed mobility which would facilitate assignment of staff by the Secretary-General to any of the activities or offices of the United Nations and provide staff with greater career development opportunities.

3. Without those elements, the Organization would not be in a position to move towards faster recruitment, filling of vacancies throughout the Secretariat, particularly at duty stations in developing countries, rapid response to the needs of peacekeeping operations and other missions, and broadening the experience of staff.

4. There were two other important issues on which he was not yet ready to make final proposals. The first related to contractual arrangements, on which he would welcome any guidance Member States might wish to provide before consultations with staff were resumed. The second related to the administration of justice in the Organization, on which consultations with the staff were ongoing. He would come back to the General Assembly on those matters.

5. He wished to assure the Committee that the proposals he had made would be implemented in a fair and equitable manner and in the best interest of the Organization and its staff.

Agenda item 119: Improving the financial situation of the United Nations (*continued*) (A/55/504/Add.1)

6. **Mr. Asadi** (Islamic Republic of Iran), speaking on behalf of the Group of 77 and China, reaffirmed the legal obligation of Member States to bear the expenses of the Organization in accordance with the Charter of the United Nations and to pay their assessed contributions in full, on time and without condition. Nevertheless, his delegation recognized the need to extend sympathetic understanding to those States that were temporarily unable to meet their financial obligations as a consequence of genuine economic difficulties.

7. He noted with concern that, while the year 1999 had raised hopes that the Organization might at last move forward from the bleak financial situation of past years, the year 2000 had been a step backward to past financial crisis and 2001 had begun with a financial picture no different from that of previous years. The negotiation of new scales of assessment in December 2000 had been particularly difficult for the States of the Group of 77 and China, which had made considerable sacrifices in the spirit of collective responsibility of all Member States to ensure the financial health of the Organization. Based on the understanding that had made the adoption of the new scales possible, his delegation once again urged the major contributor to heed its responsibility to make the necessary payments in full, on time and without condition. Other Member States in arrears should also make the necessary payments.

8. The assessments of developing countries for the regular and peacekeeping budgets had increased significantly following the adoption of the new scales. The successful outcome of the negotiations in December 2000 had been due in no small measure to the belief of the Group of 77 and China that the financial health of the Organization must be restored, even at the cost of shouldering disproportionately heavier financial burdens. It would therefore be only fair for all countries in arrears to pay their assessed contributions as calculated by the Secretariat in full and without any further delay, so that the Organization could function as it should and implement in full the mandates approved by the General Assembly.

9. The members of the Group of 77 and China were concerned at the late and irregular reimbursements to developing countries that contributed troops and equipment to peacekeeping operations. Such a practice could not be allowed to continue indefinitely since it amounted to a subsidy and placed undue financial strain on those developing countries. The problems faced by troop- and equipment-contributing countries continued unabated. If indeed peacekeeping was one of the Organization's core activities, Member States should show their commitment by funding peacekeeping operations and effecting all reimbursements owed to troop-contributing countries in a timely fashion and against a set time schedule. The problem needed to be addressed, urgently and amicably so that troop-contributing countries could continue to participate effectively in United Nations peacekeeping operations.

10. His delegation welcomed the intention of the Secretary-General to use the prospective payment by the major contributor for reimbursements owed to troop-contributing countries. The Group of 77 and China would continue to participate constructively in collective efforts to resolve the Organization's persistent financial difficulties. The only viable solution was for Member States to pay their arrears and to honour faithfully and promptly their financial obligations.

11. **Mr. Schori** (Sweden), speaking on behalf of the European Union, said that the Union remained deeply concerned at the finances of the Organization. While 1999 had been a good year, the main indicators for the year 2000 showed a less bright picture. At the end of 2000, unpaid assessments for the regular budget, peacekeeping and the international tribunals exceeded $2.2 billion, an increase of $500 million over the previous year. The Union appealed to all Member States, and in particular to the largest contributor, for full, prompt and unconditional payment of all assessed contributions.

12. The General Assembly's decision the previous year to grant relief to two categories of Member States had been motivated by a desire to ensure the future financial stability of the Organization and had been based on the premise that the largest contributor would thenceforth pay the full amount of its assessed contributions to the regular budget and to the budgets for peacekeeping and the international tribunals, settle its arrears to the Organization by 2003 and pay $582 million of those arrears immediately. The European Union was deeply concerned that, even though the first quarter of the current year had already passed, the arrears in question had not been paid.

13. The Union was also concerned at the Organization's considerable debt to troop- and equipment-contributing countries, many of them developing countries, and noted the statement by the Under-Secretary-General for Management that the entire amount of $582 million that was expected from the largest contributor would be used to compensate troop- and equipment-contributing countries. The Under-Secretary-General for Management had made it clear that the current financial situation had a negative impact on areas that were fundamental to the activities of the United Nations. In that connection, the European Union recalled the General Assembly's decision in October 2000 to apply Article 19 of the Charter, which was the sole mechanism for ensuring payment of assessed contributions in a fairer and more consistent manner. As collectively the largest contributor, the member States of the European Union assumed an important financial responsibility, which they had duly honoured.

14. **Mr. Valdés** (Chile), speaking on behalf of the Rio Group, said that the Group shared the concern of other Member States at the Organization's financial crisis, which was the result of the failure of the largest contributor to pay its arrears. Despite the efforts of Member States, the Organization's financial situation had worsened in comparison with the previous year. Cash reserves had declined, but both the level of unpaid assessments and the Organization's debt to troop- and equipment-contributing countries had risen.

15. The compromise formula that had been reached the previous year to enable the Organization to overcome its chronic financial crisis had meant an additional financial burden on the developing countries. Moreover, the urgency with which the developing countries had been required to reach viable agreements had not been reciprocated by concrete actions by the major contributor. The Rio Group noted with concern the failure to implement the agreements that had been reached. The failure of its Members to honour their commitments cast a shadow over the Organization's future.

16. **Mr. Mackay** (New Zealand), speaking also on behalf of Australia and Canada, said that the United Nations must have healthy and stable finances if it was to fulfil the expectations of its Member States. His delegation was pleased with the progress made in 1999, but that step back from the brink had been tempered by the news that in 2000 the United Nations had lost ground in financial terms. While the past year had seen some encouraging developments, the level of unpaid contributions remained enormously high and their aggregate level had increased from 1999 to 2000. The arrears were concentrated among a few Member States, most of them major contributors, and had perpetuated unacceptable delays in payments to troop-contributing countries. Those delays were an affront to the States, many of them from the developing world, that paid their assessed dues on time and without condition. Legally incurred dues to the United Nations were a binding obligation upon Member States. The great bulk of the arrears was attributable to a single Member State and his delegation welcomed the efforts of that State to pay down its arrears. He hoped that the remaining issues, including that of the contested arrears, would be resolved to the satisfaction of all parties concerned.

17. Australia, Canada and New Zealand had always supported a scale of assessments that was equitable, transparent and based upon capacity to pay. The reduction in the contribution of the United States, which had contravened those principles, had been unpalatable to many delegations. Nevertheless, a consensus had emerged around a new scale that was in the best interests of the Organization. His delegation hoped that the United States would honour the commitments it had made with more speed than had been shown to date. The Organization depended upon it.

18. The delay in payments by some Member States injected a further element of uncertainty into the Organization's financial planning. Article 19 of the Charter remained the sole sanction against Member States that failed to pay their legally binding assessments. His delegation supported the early implementation of the General Assembly's decision to calculate arrears on the basis of what was actually assessed and payable for the preceding two years.

19. His delegation remained optimistic about the ongoing development of the United Nations. It envisaged an Organization on a much sounder financial footing, with substantially reduced levels of arrears and little debt owed to Member States. Such an Organization would be in a better position to address the challenges of poverty, threats to peace and security, humanitarian crises and HIV/AIDS. Collectively, Member States could realize the vision of a stronger United Nations that was equipped to face the challenges of the new century.

20. **Mr. Khalid** (Pakistan) said that his delegation associated itself with the statement made by the representative of the Islamic Republic of Iran on behalf of the Group of 77 and China.

21. The financial overview of the Organization presented by the Under-Secretary-General for Management was encouraging in certain respects. However, much of the optimism generated by the projected indicators remained in the realm of thus far unfulfilled commitments. Unpaid assessments exceeded the staggering amount of $2 billion and commitments by the major contributor to release withheld payments remained unfulfilled.

22. He noted with concern that the Organization had had to fall back on the insalubrious practice of cross-borrowing to bridge the gap created by irregular payments for the regular budget. That practice had ultimately affected the peacekeeping capability of the United Nations. Projections for the second half of 2001 once again showed a drift towards cross-borrowing on a short-term basis. That trend could be checked only if the major contributors paid their dues in full and on time. Peace remained the most cherished objective of the international community and the Organization's capacity to carry out its peacekeeping responsibilities should never be impacted by such problems.

23. Several developing countries, including Pakistan, had gladly lent material and human resources to assist

the United Nations in the vital task of peacekeeping. Those States' commitment to the Organization's peace efforts remained unswerving. Following the successful review of the scale of assessments, the contributing States looked forward to an early schedule for reimbursement. His delegation was dismayed, however, at the largest contributor's slow progress towards the payment of its arrears, which would facilitate reimbursements to troop- and equipment-contributing countries. Successful implementation of mandates depended on the financial strength of the Organization. It was therefore incumbent upon Member States to recognize their obligations and ensure timely payment of their assessed contributions to enable the Organization to respond to emergent crises. Pakistan paid its dues with unflinching regularity and in full. It was equally important for the administration of the United Nations to organize its programmes in a cost-effective and efficient manner.

24. The Organization's financial health was contingent not only on commitments but also on actual payment of dues by all its Members, particularly the major contributors. It was time for words to be replaced by deeds. The developed countries should take measures for the timely provision of funds for emergent crises, while the United Nations should take concrete steps to prevent waste.

25. **Mr. Lee** Ho-jin (Republic of Korea) said that while the Secretary-General's report on improving the financial situation of the United Nations contained a number of positive indications, the overall situation remained precarious and the Organization's activities continued to be hampered by a recurring cash flow deficit. Of particular concern was the fact that the bulk of the $2.2 billion in unpaid assessments for the regular, peacekeeping and tribunal budgets was concentrated among a few major contributors. The Organization's financial stability and liquidity would significantly improve if the major contributors honoured their commitments. He welcomed the United States of America's confirmation that it would promptly pay $582 million in arrears. Once collected, the funds should be used to pay the debt owed by the United Nations to Member States.

26. In view of the scale of the projected expansion of United Nations peacekeeping operations, which would impose a considerable financial burden on many Member States, further reform measures were needed in the areas of human resources and procurement both at Headquarters and in the field. Oversight should also be strengthened to ensure the efficient use of resources and to enhance managerial accountability.

27. **Mr. Akasaka** (Japan) said that payment by Member States of their assessed contributions was essential in order to ensure that the United Nations operated on a sound and stable financial basis. The growing number of countries that paid their assessed contributions in full by the end of the year together with the reduction in arrears on the regular budget and in the number of countries in arrears under Article 19 of the Charter of the United Nations clearly reflected serious efforts on the part of many Member States to discharge their financial obligations to the Organization. He welcomed the fact that cross-borrowing had not been necessary in 2000 and commended the efforts of the Secretariat to continue appropriate cash flow management. His delegation would welcome an explanation of how reserve funds, including the peacekeeping reserve fund, were being utilized.

28. **Mr. Kolby** (Norway) noted with satisfaction that over the previous three years arrears in contributions to the regular budget had been reduced by nearly half. On the other hand, at the end of 2000, unpaid assessments for the regular budget, peacekeeping and the international tribunals exceeded the levels of the previous four years. Indeed, for the first time ever, the shortage of cash for the tribunals had resulted in cross-borrowing in 2000. Peacekeeping arrears were also increasing rapidly and for the first time in years the Secretary-General had been unable to fully pay obligations to troop-contributing countries incurred during the current year.

29. That news was both alarming and disappointing. Membership of the United Nations meant, among other things, an obligation to pay assessed contributions in full, on time and without condition. Breach of that principle constituted a treaty violation, regardless of whether the State that did so was large or small. The consequences for the Organization, however, were much more serious when major contributors delayed or withheld their contributions. His delegation therefore called upon the largest contributors, in particular, to pay up their arrears and assessed contributions.

30. Ensuring its financial solvency must be the Organization's primary goal and the resolutions adopted the previous year on the scale of future

assessments had given reason to hope that payment by the largest contributor of a substantial part of its arrears and full payment of its future assessments would bring about some much needed improvement in the Organization's financial situation.

31. Important steps had already been taken to streamline the Organization and enhance its effectiveness and efficiency. While his delegation welcomed those reforms, it was equally important that the Organization be given sufficient resources to carry out its mandates on a sound and predictable financial basis. It should not be necessary to resort to trust funds and other budgetary arrangements in order to fund the priority activities of the United Nations. Furthermore, the level of regular budget assessments had remained constant over the entire period from 1994 to 2001. There should therefore be real growth in the budget, where necessary, to fund core activities and to meet new challenges. The principle of zero nominal growth was no longer a necessary incentive for reform. In the current era of globalization and with the increasing need for Member States to forge common approaches to the global challenges ahead, his Government's policy was to work for a strengthening of the United Nations both politically and financially.

32. **Mr. Hays** (United States of America) said that as the largest contributor to the Organization's budget, the United States recognized its duty to do everything it could as fast as it could to help alleviate the difficult financial situation facing the Organization. In December 2000, Member States had risen above their individual interests and had entered into an explicit compact to reform the scales of assessment in return for payment by the United States of a sizeable portion of its arrears. While the negotiations had resulted in a compromise that reflected an even-handed balance of competing political and financial interests, the results were short of the steps required by United States legislation to enable his Government to immediately pay the $582 million in arrears. It was therefore necessary for the United States to amend its laws so that the funds could be released. He wished to assure delegations and the Secretariat that his Government was moving quickly to pass the necessary legislation. In fact, just 16 days after the compromise had been reached in the Fifth Committee, the United States Senate Foreign Relations Committee had held hearings and had publicly endorsed the agreements reached. The political will for prompt payment had been reflected in the unanimous 99-0 vote in the United States Senate in favour of payment of the arrears and the matter was now before the House of Representatives.

33. His delegation wished to assure the Committee that any further delay in payment would not be a reflection of political opposition but rather a function of a legislative process that was at least as complicated and lengthy as the Committee's own well-known internal processes. The United States Secretary of State had indicated on several occasions that the release of the funds and the lifting of the legislative cap on United States peacekeeping contributions were among his top legislative priorities for 2001. In addition, he had signed a waiver to eliminate the need for any further reduction in the regular budget ceiling. Such a waiver had previously been specified as one of the requirements for the payment of further arrears.

34. His delegation would keep the Committee informed as to the timing of payments of arrears and would continue to work with the United States Congress to ensure that those payments were made as quickly as possible.

35. **Mr. Ho** (Singapore) said that his delegation associated itself with the statement delivered by the representative of the Islamic Republic of Iran on behalf of the Group of 77 and China. It was clear from Under-Secretary-General Connor's statement that the financial situation of the United Nations had not changed and had in fact gotten worse. Unpaid assessments had grown by $500 million over the past year with one Member State responsible for more than half of the arrears. The General Assembly had bent over backwards to accommodate the concerns of that particular State during the previous year's negotiations on the scale of assessment and had taken a political decision to reduce its contribution to the regular budget from 25 per cent to 22 per cent. The United States had, however, failed to keep its end of the bargain, despite its earlier assurances to the Assembly that the amount of $900 million had already been approved for payment and was being held in escrow. The perverse practice of one group of Member States financing the obligations of others had gone on far too long and must come to an end.

36. It was also very clear that any prospect of improving the United Nations financial situation depended largely on the prompt payment of the $582 million promised by the United States. However, in

order to address the problem of arrearage once and for all, the United States must also pay the portion of its debt which it claimed not to recognize. Reconciliation between that Member State and the United Nations was imperative, but could take place only if the United States paid off its arrears in their entirety without imposing further conditions or demands.

37. **Ms. Silot Bravo** (Cuba) associated her delegation with the statements made by the representative of the Islamic Republic of Iran on behalf of the Group of 77 and China and by the representative of Singapore. A connection between the Organization's financial situation and the scale of assessments had apparently been established during the difficult and occasionally frustrating negotiations of the previous December. Under the impression at the time that improvement in the financial situation could be achieved only by changing the scale, many delegations had gone along with a resolution of the issue that left much to be desired. Three months had since passed and it was becoming apparent that the idea of a direct and unambiguous relationship between the Organization's financial situation and the scale of assessments was a fallacy. Despite the assurances of the major contributor that it would be in a better position to honour its financial commitments to the Organization under the new scale of assessments, it had failed to fulfil any of its promises. It was therefore necessary to reaffirm the principle that the financial situation of the Organization could not be allowed to depend on the unilateral decisions of the legislative bodies of Member States.

38. While the minor improvements cited in the report were encouraging, they were hardly sufficient to make a meaningful improvement in the Organization's overall financial situation. It was the largest contributors that could best fulfil their financial obligations to the Organization on time and without old or new conditions. Her delegation was concerned about the future implications of the negotiated arrangement, since economic conditions might make it difficult for many States to shoulder their increased responsibilities. The Committee should consider appropriate measures it might take to deal with such situations.

39. **Ms. Sun** Minqin (China) said that her delegation fully supported the statement made by the representative of the Islamic Republic of Iran on behalf of the Group of 77 and China. It was deeply concerned at the worsening financial situation of the United Nations, which was largely attributable to the failure of some Member States, particularly the major contributor, to pay their assessed contributions. For their part, many developing countries did their best to fulfil their financial obligations to the Organization, despite their own economic difficulties.

40. Out of a strong sense of responsibility towards the Organization, Member States had adopted a new scale of assessments. China had looked forward to the early implementation of the new scale, but three months had gone by and the United Nations had still not received the payments that had been promised. China hoped that the largest debtor to the Organization would follow the example of other Member States and concretely demonstrate its commitment to the Organization by paying its assessed contributions in full, on time and without conditions. By fulfilling their financial obligations under the Charter, Member States would provide the strong and stable foundation upon which the Organization could in turn fulfil its responsibilities more effectively.

41. **Mr. Kendall** (Argentina) said that his delegation was concerned at the financial situation of the United Nations. Despite its own difficult economic situation, Argentina had notified the Secretariat that it would pay the sum of $11,937,328 to the regular budget by 15 June 2001, $4,394,708 to the peacekeeping budget by 30 June 2001, and $1,198,010 to the budget for the international tribunals by 30 June 2001.

42. **Mr. Connor** (Under-Secretary-General for Management), replying to the question from the delegation of Japan concerning the use of peacekeeping reserve funds, said that peacekeeping cash was comprised of three components, namely, cash for inactive mission accounts, cash for active mission accounts and cash in the reserve fund. At the time of his earlier presentation, the peacekeeping reserve fund had become fully funded at $150 million. Since then, income attributed had increased the total to some $179 million.

43. The peacekeeping reserve fund was used to start up new missions or to expand ongoing ones by providing immediate cash pending assessments by the General Assembly. Cash advances from the peacekeeping reserve fund currently totalled some $50 million, an amount that would be reimbursed to the reserve fund as soon as Member States had paid their assessments, thereby ensuring that adequate financing

existed in the reserve fund for new and expanded start-up needs.

The meeting rose at 11.40 a.m.